CAPITAL PURCHASES PROGRAM

MARCH 1999

WHAT IS THE CAPITAL PURCHASES PROGRAM?

The Navy Working Capital Funding (NWCF) Capital Purchases Program (CPP) provides the framework for planning, coordinating and controlling NWCF resources and expenditures to obtain capital assets. NWCF investment costs are recovered through depreciation over the useful life of the project. CPP investment dollars have a long term direct impact on customer rates.

PRIMARY GOAL:

Establish capability for reinvestment in the infrastructure of business areas in order to facilitate mid and long term cost reductions.

OBJECTIVE:

Improve product and service quality and timeliness, reduce costs and foster comparable and competitive business operations.

CATEGORIES:

The NWCF Capital Purchases Program provides funding
asset investment in the following categories:

1. Automated Data Processing (ADP) and Telecom Equipment (>$
   Recovery Period: 5 years

2. Non-ADP Equipment (>$100K)
   Recovery Period: 10 years (changed from 12 years)

3. Minor Construction (>$100K, <$500K:<$1000K for life, safety
   Recovery Period: 40 years - for Real Property structures or im
   (changed from 30 years)

4. Software Development (>$100K)
   Recovery Period: 5 years - for <u>both</u> internally developed <u>and</u> c
   the shelf" (changed from 5 and 10 years respectively)

Note: Recovery Periods are based on OUSD Memo of 22 Oct 98 an
capital assets acquired subsequent to 22 Oct 98

JUSTIFICATION CATEGORIES FOR CPP:

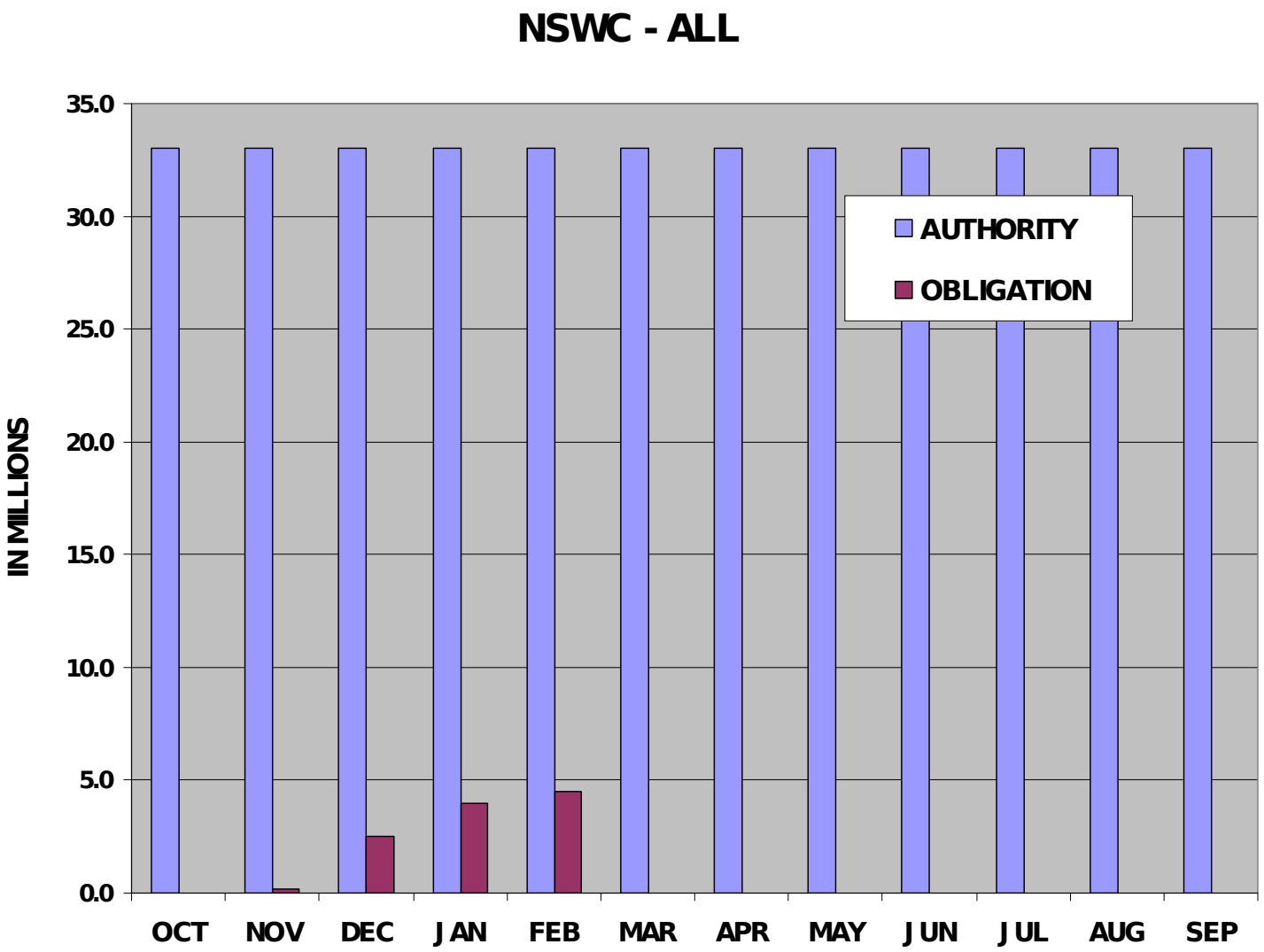
The following justification sub-categories are used to giv
justification for the Non-ADP Equipment category:

Replacement. Unsafe, beyond economical repair, or inoperative/un

Productivity. Improved efficiency (savings) or effectiveness.

New Mission. Required new capability or capacity that cannot be r
equipment or facilities..

Environmental. Investment to correct life safety deficiencies, envir
regulatory compliance or regulatory agency mandated requirement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BUDGET CONTROLS

ACTIVITY	NWCF CATEGORY	FY99 CONTROL	FY00 CONTROL	FY01 CONTROL
ALL DIV	Non-ADP	$13,524	$14,021	$24,617
ALL DIV	Minor Construction	$ 3,228	$ 4,886	$ 9,031
ALL DIV	ADP	$14,615	$16,196	$14,692
ALL DIV	Software Development	$ 2,292	$ 3,971	$ 2,470
	TOTAL	**$33,659**	**$39,011**	**$50,770**

BUDGET GUIDANCE

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- ASSUME REPROGRAMMING REQUEST WILL BE APPROVED
- SUBMIT BUDGET ACCORDINGLY
- DO NOT EXECUTE UNTIL YOU HAVE RECEIVED AN AMEND UNIT COST LETTER

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- SUBMIT DESIRED SUBSTITUTIONS/ADDITIONS
- DO NOT INCREASE BOTTOM LINE AUTHORITY FOR YOUR DIVISION
    - REFRAIN FROM MAKING CATEGORICAL SUBSTITUTIO (ADPE, NON ADPE, ETC) WHERE POSSIBLE

BUDGET GUIDANCE

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- NEW PROJECTS MUST BE FULLY JUSTIFIED

  - ADDRESS THE REASON WHY THEY'VE BEEN ADDED

  - IF URGENCY QUESTION NOT ADDRESSED, FMB/OSD/ CONGRESS ARE LEFT WITH THE IMPRESSION THAT THERE IS NO PLAN

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- DIVISIONS HAVE FLEXIBILITY TO INCREASE AUTHORITY AND CHANGE PROJECTS

  - SOME RISK IN DOING THIS, FMB HAS SEEN

- **ALL** PROJECTS REQUIRE A NARRATIVE

GENERAL WRITE-UP GUIDANCE

- NARRATIVES SHOULD BE FAIRLY GENERIC AND THEREFOR LESS LIKELY TO BE REPROGRAMMED AS YOU WORK THROUGH THE 2 YR BUDGET CYCLE
- USE COMMON LANGUAGE AND AVOID JARGON
  - USE LANGUAGE A BUDGET ANALYST CAN RELATE TO A EASILY UNDERSTAND
- CAREFULLY PROOF READ EACH PROJECT
  - TYPOS AND GRAMMATICAL ERRORS DETRACT FROM JUSTIFICATION
  - MAKES THEM DIFFICULT TO READ
- USE THE NAME OF THE FIELD ACTIVITY OR NAME OF THE ORGANIZATION
  - NEVER USE CODES

GENERAL WRITE-UP GUIDANCE

- SPELL OUT **ALL** ACRONYMS

- AVOID USING LANGUAGE THAT MAKES THE JUSTIFICATION
  SOUND LIKE A MARKETING TOOL

  - IF WE GET THE PROJECTS, THEN WE CAN GO AFTER THE
    ASSOCIATED WORK

  - THIS WON'T FLY IN TODAY'S ENVIRONMENT OF
    DOWNSIZING

- INCREASED WORKLOAD DISCUSSED IN 9B

  - UNLESS IT CAN BE SUPPORTED BY A DOCUMENTED
    INCREASE IN ORDERS FOR THAT WORKLOAD,
    RECOMMEND DELETION OF PROJECT

SUCCESSFUL PROGRAM EXECUTION

- Execute program with minimal Reprogramming

  Changes to Line Item Visible Projects require OSD approval - co
  take half of the budget year or longer to receive OSD approval

- Assure that all projects relate to core work/mission

- Avoid 30 September obligations, revisions, and/or rea

DATES TO REMEMBER:

April 1, 1999 - CPP budget submitted via RPS
- 9d reconciliation report

April 12, 1999 - CPP/MRP Hearings
0830 - 1030 - Indian Head
1030 - 1230 - Crane
1330 - 1530 - Port Hueneme

April 13, 1999 - CPP/MRP Hearings
0830 - 1030 - Carderock
1030 - 1230 - Dahlgren
1330 - 1530 - Corona

May 1, 1999 - Submit Post Investment Analysis